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May 26, 2004

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FROM: CHIEF DEPUTY GARY LOCKHART

**FIRE DISTRICTS EXEMPT FROM STATE BUDGET PROPERTY TAX SHIFT**

Historically, the Fire Districts have been exempt from the property tax shift based on the 1993-94 Educational Revenue Augmentation Fund (ERAF) where counties, cities and special districts had to shift property tax revenues to the State for education. In the Governor's proposed budget in January 2004, there were indications that fire districts would continue to be exempt based on previous history.

Counties, cities and special districts agreed with the Governor's administration to shift property tax revenues to the State for this Fiscal Year (2004-05) and next year (2005-06), and the Administration agreed that the Governor would support an initiative to ensure local government would no longer have to shift property tax revenue in the future. Cities and counties provided a formula to the Administration for their revenue shift to the State and Special Districts provided their formula last week. The Special Districts Association in meeting with other Special Districts provided a formula to the Administration, which was a miscommunication, indicating Fire Districts were to be included in the proposed property tax revenue shift.

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This error was recognized last Friday, May 21, 2004, and Special Districts met with the Administration and cleared up the matter. Therefore, the Administration and Special Districts Association, along with the Legislative Analyst's Office, now recognized that Fire Districts are exempt from the property tax shift. The next process is for the Administration to move forward with its budget proposal through the legislative process. Los Angeles County Fire will work with Special Districts Association and legislators to ensure the Fire Districts continue to be exempt.

GL:cg

c: Mr. David Janssen